

Township of Saugatuck
Allegan County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended June 30, 2008

CONTENTS

	<i>Page</i>
MANAGEMENT'S DISCUSSION AND ANALYSIS	i - vii
INDEPENDENT AUDITORS' REPORT	3 - 4
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements:	
Statement of net assets	5
Statement of activities	6
Fund financial statements:	
Balance sheet - governmental funds	7
Statement of revenues, expenditures, and changes in fund balances - governmental funds	8 - 9
Notes to financial statements	10 - 19
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedules:	
General Fund	20
Road Fund	21
Schedule of funding progress - Employee Retirement System	22
SUPPLEMENTARY INFORMATION	
Combining balance sheet - nonmajor governmental funds	23
Combining statement of revenues, expenditures and changes in fund balances - nonmajor governmental funds	24
Schedule of bond retirement and annual interest requirements	25 - 27

MANAGEMENT'S DISCUSSION AND ANALYSIS

Township of Saugatuck MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Township of Saugatuck's (the Township) financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net assets increased by \$334,332 (5 percent) as a result of this year's operations.
- Of the \$6,718,009 total net assets reported, \$161,808 (2 percent) is unrestricted, or available to be spent at the discretion of the Board.
- The General Fund's unreserved undesignated fund balance at the end of the fiscal year was \$311,808, which represents 53 percent of the actual total General Fund expenditures for the fiscal year.

Overview of the financial statements

The Township's annual financial report is comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township government, reporting the Township's operations in more detail than the government-wide financial statements. The governmental fund statements tell how general government services like public works and public safety were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

A comparative analysis of the basic financial statements for 2008 and 2007 is also presented.

Government-wide financial statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets - the difference between the Township's assets and liabilities - is one way to measure the Township's financial health, or position.

Township of Saugatuck
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional nonfinancial factors such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements present governmental activities. Most of the Township's basic services are included here, such as general government, public works, parks, etc. Property taxes and intergovernmental revenues generally fund these services.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The Township Board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and other revenues.

The Township has one kind of fund:

- *Government Funds.* Most of the Township's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out and, (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement that explains the relationship between them.

Township of Saugatuck
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Assets. Total net assets at the end of the fiscal year were \$6,718,009, an increase of 5 percent over the prior year. However, \$4,529,570 of this total is invested in capital assets, and \$2,026,631 is restricted for perpetual care, public safety, public works, health and welfare, capital projects and debt service. Consequently, unrestricted net assets were \$161,808, or 2 percent of the total.

Condensed financial information
Net Assets

	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 3,463,514	\$ 3,363,147
Capital assets	<u>5,289,570</u>	<u>5,211,092</u>
Total assets	<u>8,753,084</u>	<u>8,574,239</u>
Other liabilities	90,075	110,562
Long-term debt outstanding	<u>1,945,000</u>	<u>2,080,000</u>
Total liabilities	<u>2,035,075</u>	<u>2,190,562</u>
Net assets:		
Invested in capital assets, net of related debt	4,529,570	4,386,092
Restricted	2,026,631	1,776,462
Unrestricted	<u>161,808</u>	<u>221,123</u>
Total net assets	<u>\$ 6,718,009</u>	<u>\$ 6,383,677</u>

Changes in net assets. The Township's total revenues are \$1,323,294. Approximately 42 percent of the Township's revenues come from property taxes while 25 percent come from charges for services. State shared revenue represents only 12 percent of the Township's total revenues.

Township of Saugatuck
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Condensed financial information
Changes in net assets

	<u>2008</u>	<u>2007</u>
Program revenues:		
Charges for services	\$ 332,535	\$ 348,695
Operating grants and contributions	9,052	10,723
Capital grants and contributions	122,439	508,909
General revenues:		
Property taxes	561,459	510,956
Franchise fees	20,936	14,310
State shared revenue	165,085	159,751
Investment income	111,788	111,500
Total revenues	<u>1,323,294</u>	<u>1,664,844</u>
Expenses:		
Legislative	875	1,037
General government	519,586	648,466
Public safety	73,687	83,703
Public works	218,332	154,873
Health and welfare	5,415	9,507
Community and economic development	60,972	46,221
Recreation and culture	38,434	38,611
Interest on long-term debt	71,661	80,387
Total expenses	<u>988,962</u>	<u>1,062,805</u>
Increase in net assets	<u>\$ 334,332</u>	<u>\$ 602,039</u>

Governmental activities. Governmental activities increased the Township's net assets by \$334,332 in the current year compared to a \$602,039 increase in the prior year. Revenues were sufficient to cover the total costs of operations in each year. Current year revenues were significantly lower than the prior year primarily due to the recognition of a \$267,560 capital grant in the prior year. Total expenses decreased by nearly \$74,000, which was chiefly due to substantial costs associated with the settlement with the City of the Village of Douglas in the prior year.

The cost of all governmental activities this year was \$988,961. After subtracting the direct charges to those who directly benefited from the programs (\$332,535) and operating and capital grants (\$131,491) the "public benefit" portion covered by property taxes, state shared revenue, and other general revenues was \$524,936.

Township of Saugatuck
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS (Continued)

Governmental funds. As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$2,331,955, an increase of \$237,162 in comparison with the prior year.

The General Fund is the chief operating fund of the Township. At the end of the fiscal year, unreserved fund balance was \$311,808, which represents 53 percent of the actual total General Fund expenditures for the current fiscal year. The fund balance decreased by \$59,315 during the current fiscal year compared to a \$12,528 increase in the prior year. The fund balance increased in the prior year due to one-time interfund transfers totaling \$114,523. Though property tax revenues increased nearly \$26,000, revenues are not sufficient to cover the expenditures of the fund.

The Road Fund experienced an increase in fund balance of \$190,151. This increase was a result of property tax revenue exceeding the costs of road improvement expenditures in the current year. The fund now holds \$442,336 that is restricted for future road projects.

The Water Debt Fund experienced a decrease in fund balance of \$27,481 because current year revenues were less than current year debt service costs. Assessments and debt service charges collected on behalf of the Township are being used to pay on-going debt service costs on two bond issues, with payments due through the year 2017, totaling about \$802,328.

The Sewer Debt Fund experienced an increase in fund balance of \$64,299 because current year revenues exceeded current year debt service costs. Assessments and debt service charges collected on behalf of the Township are being used to pay on-going debt service costs on a single bond issue, with payments due through the year 2022, totaling about \$1,406,626.

General Fund budgetary highlights

The difference between the original budget and the final amended budget for expenditures was an increase of \$21,054 primarily due to an increase in capital outlay expenditures associated with the construction of offices at the Township Hall.

Revenues were \$39,579 higher than budgeted primarily because licenses and permits and interest revenue were higher than expected. General Fund expenditures were \$3,590 higher than the amounts appropriated because fringe benefit costs were higher than anticipated.

These variances resulted in a \$35,989 positive budget variance, and a \$59,315 decrease in fund balance compared to a budgeted \$95,304 decrease.

Capital asset and debt administration

Capital assets.

The Township's investment in capital assets as of June 30, 2008, amounts to \$5,289,570 (net of accumulated depreciation). This investment includes a broad range of assets including land, buildings, equipment, sewer and water systems, and shared cost of road projects. The increase in the Township's net investment in capital assets for the current fiscal year was \$78,478, 2 percent over the prior year.

Township of Saugatuck
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Major capital asset events during the current fiscal year included the following:

- Completion of the Bradley Road project at a cost to the Township of \$150,206
- Sprinkling system improvements at Riverside cemetery totaling \$17,600
- Township Hall improvements for office expansion totaling \$19,948

More detailed information about the Township's capital assets is presented in Note 5 of the notes to the basic financial statements.

Long-term debt.

At year end, the Township's long-term debt totaled \$1,945,000. Outstanding bonds payable totaled \$1,795,000. There are three separate issues all of which are secured by special assessments on benefited properties or utility system revenues. A contract payable, in the amount of \$150,000, was issued in the prior year associated with an agreement between the City of the Village of Douglas and the Township. More detailed information about the Township's long-term debt is presented in Note 8 of the notes to the basic financial statements.

Economic condition and outlook

General Fund

The Township continues to maintain a fund balance in the General Fund which is sufficient for unforeseen or emergency expenditures. The General Fund balance at June 30, 2008 was \$311,808 which represents 53% of the actual General Fund expenditures for the current fiscal year.

The Township's economic outlook mirrors the State of Michigan and the economy as a whole in projecting revenues and expenditures. Since the economy is flat and construction activity is minimal, it is recognized that many desirable projects which would enhance the quality of life such as park or other recreational improvements are not feasible because of limited funds after mandatory and standard operational needs are met.

During 2005 the Township conducted a special census which indicated a 26% population increase over the year 2000. In prior decades state shared revenues were increased to reflect increased population. The Township received in excess of \$31,000 additional revenue in 2006 but the state has not funded special census population increases in subsequent years and the outlook for such funding is uncertain if not improbable.

The 26% population increase has resulted in an increased demand for services and the necessity to maintain staffing levels.

Township of Saugatuck
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Cemetery Fund

The fund balance of the Cemetery Fund is sufficient to fund operations for more than one year without additional revenues.

Negotiations are on-going with the cities of Saugatuck and Douglas with the purpose of providing equitable and assured future operation and maintenance funds.

Road Fund

New construction and heavy maintenance projects are dependant on extra voted millages. The Township voters have continually renewed these millages which have allowed the Township board to resurface and reconstruct 27 miles of roadway over the years. The Township was fortunate to have made extensive road improvements during the years when construction costs were moderate.

Projects are undertaken on a pay as you go basis. Recent major increases in fuel and asphalt prices indicate that fewer and less extensive projects will be possible if current oil prices prevail.

Debt retirement funds

The Sewer Debt Fund is sufficient to fund more than eight years of future bond retirement and interest obligations.

The Water Debt Fund is at a level sufficient to fund approximately 3 ½ years of future bond retirement with interest.

Contacting the Township's financial management

This financial report is designed to provide a general overview of the Township's finances to its citizens, customers, investors and creditors, and to demonstrate the Township's accountability for the money it receives. Questions regarding any information provided in this report or request for additional financial information should be addressed to:

Township of Saugatuck
Phil Quade, Township Manager
3461 Blue Star Highway
Saugatuck, Michigan 49453

Phone: (269) 857-7721

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Township of Saugatuck, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Saugatuck, Michigan, as of June 30, 2008, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Saugatuck, Michigan, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis, budgetary comparison schedules, and the schedule of funding progress of the employee retirement system, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Township of Saugatuck, Michigan's basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Township of Saugatuck, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sigfried Crandall P.C.

October 21, 2008

BASIC FINANCIAL STATEMENTS

Township of Saugatuck
STATEMENT OF NET ASSETS
June 30, 2008

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 1,836,010
Investments	476,370
Receivables	178,528
Prepaid insurance	<u>11,122</u>
Total current assets	<u>2,502,030</u>
Noncurrent assets:	
Receivables	961,484
Capital assets not being depreciated - land	215,057
Capital assets, net of accumulated depreciation	<u>5,074,513</u>
Total noncurrent assets	<u>6,251,054</u>
Total assets	<u>8,753,084</u>
LIABILITIES	
Current liabilities:	
Payables	50,075
Bonds payable	<u>150,000</u>
Total current liabilities	<u>200,075</u>
Noncurrent liabilities:	
Deferred revenue	40,000
Bonds payable	<u>1,795,000</u>
Total noncurrent liabilities	<u>1,835,000</u>
Total liabilities	<u>2,035,075</u>
NET ASSETS	
Invested in capital assets, net of related debt	4,529,570
Restricted for:	
General government	157,460
Public works	442,336
Health and welfare	4,531
Capital projects	150,226
Debt service	1,272,078
Unrestricted	<u>161,808</u>
Total net assets	<u>\$ 6,718,009</u>

See notes to financial statements

Township of Saugatuck
STATEMENT OF ACTIVITIES
Year ended June 30, 2008

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>			<u>Net (expenses) revenues and changes in net assets</u>
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	<u>Governmental activities</u>
Governmental activities:					
Legislative	\$ 875	\$ -	\$ -	\$ -	\$ (875)
General government	519,586	173,848	5,185	-	(340,553)
Public safety	73,687	69,928	-	-	(3,759)
Public works	218,332	5,862	3,867	121,420	(87,183)
Health and welfare	5,415	-	-	-	(5,415)
Community and economic development	60,972	10,680	-	-	(50,292)
Recreation and culture	38,434	-	-	1,019	(37,415)
Interest on long-term debt	71,661	72,217	-	-	556
Total governmental activities	<u>\$ 988,962</u>	<u>\$ 332,535</u>	<u>\$ 9,052</u>	<u>\$ 122,439</u>	<u>(524,936)</u>
General revenues:					
Property taxes					561,459
State shared revenue					165,085
Investment income					111,788
Franchise fees					<u>20,936</u>
Total general revenues					<u>859,268</u>
Change in net assets					334,332
Net assets - beginning					<u>6,383,677</u>
Net assets - ending					<u>\$ 6,718,009</u>

See notes to financial statements

Township of Saugatuck
BALANCE SHEET - governmental funds

June 30, 2008

	<i>Major funds</i>			
	<i>General</i>	<i>Road</i>	<i>Water Debt</i>	<i>Sewer Debt</i>
ASSETS				
Cash	\$ 50,820	\$ 287,060	\$ 315,132	\$ 943,862
Investments	250,413	158,853	-	-
Receivables	67,767	-	257,828	804,256
Prepaid insurance	11,122	-	-	-
Total assets	<u>\$ 380,122</u>	<u>\$ 445,913</u>	<u>\$ 572,960</u>	<u>\$ 1,748,118</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payables	\$ 28,314	\$ 3,577	\$ -	\$ -
Deferred revenue	40,000	-	257,828	797,656
Total liabilities	<u>68,314</u>	<u>3,577</u>	<u>257,828</u>	<u>797,656</u>
Fund balances:				
Unreserved, undesignated	311,808	442,336	315,132	950,462
Unreserved, undesignated reported in nonmajor:				
Special revenue funds	-	-	-	-
Capital project funds	-	-	-	-
Total fund balances	<u>311,808</u>	<u>442,336</u>	<u>315,132</u>	<u>950,462</u>
Total liabilities and fund balances	<u>\$ 380,122</u>	<u>\$ 445,913</u>	<u>\$ 572,960</u>	<u>\$ 1,748,118</u>

Fund balances - total governmental funds

Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Net assets of *governmental activities* (page 5)

<i>Nonmajor governmental funds</i>	<i>Totals</i>
\$ 239,136	\$ 1,836,010
67,104	476,370
10,161	1,140,012
-	11,122
<u>\$ 316,401</u>	<u>\$ 3,463,514</u>
\$ 4,184	\$ 36,075
-	1,095,484
<u>4,184</u>	<u>1,131,559</u>
-	2,019,738
161,991	161,991
150,226	150,226
<u>312,217</u>	<u>2,331,955</u>
<u>\$ 316,401</u>	<u>\$ 3,463,514</u>
	\$ 2,331,955
	5,289,570
	1,055,484
	(14,000)
	<u>(1,945,000)</u>
	<u>\$ 6,718,009</u>

See notes to financial statements

Township of Saugatuck**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds**

Year ended June 30, 2008

	<i>Major funds</i>			
	<u>General</u>	<u>Road</u>	<u>Water Debt</u>	<u>Sewer Debt</u>
REVENUES				
Property taxes	\$ 191,064	\$ 400,922	\$ -	\$ -
Licenses and permits	92,545	-	-	-
State grants	168,952	-	-	-
Contributions from local units	-	-	-	-
Charges for services	29,301	-	16,019	27,302
Interest and rentals	38,389	10,181	34,403	95,771
Other	12,628	-	37,631	83,678
	<u>532,879</u>	<u>411,103</u>	<u>88,053</u>	<u>206,751</u>
Total revenues				
EXPENDITURES				
Legislative	875	-	-	-
General government	375,950	-	24,050	22,275
Public safety	73,687	-	-	-
Public works	28,975	220,952	-	-
Health and welfare	-	-	-	-
Community and economic development	60,972	-	-	-
Recreation and culture	12,747	-	-	-
Capital outlay	38,988	-	-	-
Debt service:				
Principal	-	-	65,000	70,000
Interest	-	-	26,484	50,177
	<u>592,194</u>	<u>220,952</u>	<u>115,534</u>	<u>142,452</u>
Total expenditures				
NET CHANGE IN FUND BALANCES	(59,315)	190,151	(27,481)	64,299
FUND BALANCES - BEGINNING	<u>371,123</u>	<u>252,185</u>	<u>342,613</u>	<u>886,163</u>
FUND BALANCES - ENDING	<u>\$ 311,808</u>	<u>\$ 442,336</u>	<u>\$ 315,132</u>	<u>\$ 950,462</u>

<i>Nonmajor governmental funds</i>	<i>Total governmental funds</i>
\$ 55,322	\$ 647,308
-	92,545
-	168,952
54,574	54,574
90,659	163,281
5,261	184,005
-	133,937
<u>205,816</u>	<u>1,444,602</u>
-	875
72,781	495,056
-	73,687
40,512	290,439
5,415	5,415
-	60,972
-	12,747
17,600	56,588
-	135,000
-	76,661
<u>136,308</u>	<u>1,207,440</u>
69,508	237,162
<u>242,709</u>	<u>2,094,793</u>
<u>\$ 312,217</u>	<u>\$ 2,331,955</u>

See notes to financial statements

Township of Saugatuck

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds (Continued)**

Year ended June 30, 2008

	<u><i>Total governmental funds</i></u>
Net change in fund balances - total governmental funds	\$ 237,162
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their useful lives as depreciation expense. This is the amount by which capital outlays (\$255,742) exceeded depreciation (\$177,264).	78,478
Because some special assessments will not be collected until subsequent periods, they are not considered available revenues and are deferred in the governmental funds. Deferred special assessment revenues decreased by this amount this year.	(121,308)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	5,000
Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	<u>135,000</u>
Change in net assets - governmental activities (page 6)	<u>\$ 334,332</u>

See notes to financial statements

Township of Saugatuck
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Saugatuck, Michigan (the Township), conform to U.S. generally accepted accounting principles, as applicable to governments. The following is a summary of the more significant policies:

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Township has determined that no outside agency meets the above criteria and, therefore, no outside agency has been included as a blended or discretely-presented component unit in the Township's financial statements.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for the governmental and proprietary funds. Major individual governmental funds are reported in separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Township of Saugatuck
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Road Fund accounts for the financial resources used for the construction and maintenance of roads. Revenues are primarily derived from property taxes.

The Water Debt Fund accounts for the issuance and payment of debt related to water improvements.

The Sewer Debt Fund accounts for the issuance and payment of debt related to sewer improvements.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their enterprise funds, subject to the same limitations. The government has elected not to follow subsequent private-sector standards.

Amounts reported as program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Township of Saugatuck
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity:*

i) *Bank deposits and investments* - Cash is considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is proportionately allocated to all funds.

ii) *Receivables* - No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) *Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

iv) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$2,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The Township has elected to use the prospective method of accounting for infrastructure assets whereby it will capitalize its infrastructure assets beginning July 1, 2003, as permitted by GASB Statement No. 34.

The Township includes shared road costs in its infrastructure assets. These costs represent the Township's portion of public road improvements for roads within the Township, which are owned by the County of Allegan.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10 - 50 years
Equipment	3 - 20 years
Sewer and water systems	50 years
Shared road costs	20 years

v) *Deferred revenue* - In the fund financial statements, governmental funds report deferred revenue in connection with resources that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

vi) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Township of Saugatuck
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity* (continued):

vii) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the functional level.

The following schedule sets forth significant budget variances:

<u>Fund</u>	<u>Function</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
General	General government	\$ 365,400	\$ 375,950	\$ (10,550)
	Community and economic development	53,970	60,972	(7,002)
Road	Public works	187,000	220,952	(33,952)

NOTE 3 - DEPOSITS AND INVESTMENTS:

At June 30, 2008, cash and investments are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash	1,836,010
Investments	<u>476,370</u>
Total cash and investments	<u>\$ 2,312,380</u>

At June 30, 2008, cash and investments consist of the following:

Deposits with financial institutions	\$ 1,835,910
Investments	476,370
Cash on hand	<u>100</u>
Total cash and investments	<u>\$ 2,312,380</u>

Township of Saugatuck
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued):

a) Deposits with financial institutions:

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance. At June 30, 2008, \$1,549,518 of the Township's bank balances of \$1,849,525 was exposed to custodial credit risk because it was uninsured. The Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

b) Investments:

State statutes and the Township's investment policy authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, with three (3) highest rate classifications by at least two (2) rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; and e) qualified investment pools.

The Township's investments consist of holdings in a local governmental investment pool (the Pool). The Pool is an external pooled investment fund, which holds qualified investments for local governments. The Pool is not regulated by, nor is it registered with, the SEC. The fair value of the Township's investment in this pool is reported at amounts based upon the Township's pro-rata share of the fair value provided by the Pool for the entire Pool portfolio (in relation to the amortized cost of that portfolio). The Township's holdings are carried at cost, which approximates fair value.

NOTE 4 - RECEIVABLES:

Receivables at June 30, 2008, of the Township's funds, are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Special assessments</u>	<u>Interest</u>	<u>Intergovern- mental</u>	<u>Totals</u>
General	\$ 4,782	\$ -	\$ -	\$ 62,985	\$ 67,767
Water Debt	-	257,828	-	-	257,828
Sewer Debt	-	797,656	6,600	-	804,256
Nonmajor governmental	-	-	-	10,161	10,161
Totals	<u>\$ 4,782</u>	<u>\$ 1,055,484</u>	<u>\$ 6,600</u>	<u>\$ 73,146</u>	<u>\$ 1,140,012</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ 961,484</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 961,484</u>

Township of Saugatuck
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2008, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	\$ 215,057	\$ -	\$ -	\$ 215,057
Capital assets being depreciated:				
Land improvements	610,477	17,600	-	628,077
Buildings	172,884	19,948	-	192,832
Equipment	70,409	-	-	70,409
Sewer and water system	3,415,693	29,438	-	3,445,131
Shared cost of roads	<u>1,485,367</u>	<u>188,756</u>	<u>-</u>	<u>1,674,123</u>
Subtotal	<u>5,754,830</u>	<u>255,742</u>	<u>-</u>	<u>6,010,572</u>
Less accumulated depreciation for:				
Land improvements	(116,339)	(12,475)	-	(128,814)
Buildings	(56,332)	(4,389)	-	(60,721)
Equipment	(32,079)	(5,200)	-	(37,279)
Sewer and water system	(346,867)	(57,657)	-	(404,524)
Shared cost of roads	<u>(207,178)</u>	<u>(97,543)</u>	<u>-</u>	<u>(304,721)</u>
Subtotal	<u>(758,795)</u>	<u>(177,264)</u>	<u>-</u>	<u>(936,059)</u>
Total capital assets being depreciated, net	<u>4,996,035</u>	<u>78,478</u>	<u>-</u>	<u>5,074,513</u>
Governmental activities capital assets, net	<u>\$ 5,211,092</u>	<u>\$ 78,478</u>	<u>\$ -</u>	<u>\$ 5,289,570</u>

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 15,317
Public works	146,087
Recreation and culture	<u>15,860</u>
Total governmental activities	<u>\$ 177,264</u>

Township of Saugatuck
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - PAYABLES:

Payables at June 30, 2008, for the Township's funds, are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Totals</u>
General	\$ 10,208	\$ 18,106	\$ 28,314
Road	3,577	-	3,577
Nonmajor governmental	<u>4,184</u>	<u>-</u>	<u>4,184</u>
Totals	<u>\$ 17,969</u>	<u>\$ 18,106</u>	<u>\$ 36,075</u>

NOTE 7 - DEFERRED REVENUE:

As of June 30, 2008, the various components of deferred revenue are as follows:

	<u>Unearned</u>	<u>Unavailable</u>	<u>Totals</u>
Tower lease	\$ 40,000	\$ -	\$ 40,000
Water debt special assessments	-	257,828	257,828
Sewer debt special assessments	<u>-</u>	<u>797,656</u>	<u>797,656</u>
Total deferred revenue	<u>\$ 40,000</u>	<u>\$ 1,055,484</u>	<u>\$ 1,095,484</u>

NOTE 8 - LONG-TERM DEBT:

At June 30, 2008, long-term debt is comprised of the following individual issues:

Governmental activities:

Bonds payable:

\$775,000 1998 special assessment limited tax bonds - payable in annual installments ranging from \$35,000 to \$50,000, plus interest at 5.10%; final payment due April 2017, secured by assessments and full faith and credit of the Township. \$ 420,000

\$520,000 1998 water supply system revenue bonds - payable in annual installments ranging from \$25,000 to \$50,000, plus interest at 5.10%; final payment due April 2017, secured by assessments. 340,000

\$1,385,000 2002 special assessment limited tax bonds - payable in annual installments ranging from \$70,000 to \$75,000, plus interest at 5.50%; final payment due April 2022, secured by assessments and full faith and credit of the Township. 1,035,000

Contract payable:

Settlement agreement with another municipality relating to the division of assets and liabilities pursuant to Michigan Compiled Law 117.14; payable in annual installments of \$15,000 through 2018. 150,000

Total long-term debt \$ 1,945,000

Township of Saugatuck
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - LONG-TERM DEBT (Continued):

Long-term debt activity for the year ended June 30, 2008, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
1998 limited tax bonds	\$ 455,000	\$ -	\$ (35,000)	\$ 420,000	\$ 35,000
1998 revenue bonds	370,000	-	(30,000)	340,000	30,000
2002 limited tax bonds	1,105,000	-	(70,000)	1,035,000	70,000
2007 contract payable	150,000	-	-	150,000	15,000
Total	<u>\$ 2,080,000</u>	<u>\$ -</u>	<u>\$ (135,000)</u>	<u>\$ 1,945,000</u>	<u>\$ 150,000</u>

At June 30, 2008, debt service requirements were as follows:

<u>Year ended</u>	<u>Governmental activities</u>	
<u>June 30:</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 150,000	\$ 55,210
2010	150,000	51,666
2011	165,000	48,120
2012	175,000	44,382
2013	175,000	40,312
2014 - 2018	830,000	136,914
2019 - 2022	<u>300,000</u>	<u>37,350</u>
	<u>\$ 1,945,000</u>	<u>\$ 413,954</u>

NOTE 9 - JOINTLY-GOVERNED ORGANIZATIONS:

a) *Saugatuck Township Fire District:*

The Township, in conjunction with the City of Saugatuck and the City of the Village of Douglas, created the Saugatuck Township Fire District. The District's administrative board consists of five members, two at-large members and one member from each of the three participating units. The budget of the District is approved at a joint meeting of the participating units.

b) *Interurban Transit Authority:*

The Township, in conjunction with the City of Saugatuck and the City of the Village of Douglas, created the Interurban Transit Authority. The Authority's administrative board consists of six members, two members appointed by each of the three participating units.

NOTE 10 - EMPLOYEE RETIREMENT SYSTEM:

Plan description and provisions:

All of the Township's full-time employees participate in the Michigan Municipal Employees' Retirement System (the System), a multi-employer public retirement system.

Township of Saugatuck
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - EMPLOYEE RETIREMENT SYSTEM (Continued):

Plan description and provisions (continued):

All full-time employees of the Township are eligible to participate in the System. There are currently two retired beneficiaries receiving benefits from the System in the form of monthly payments. There is one terminated employee who is entitled to benefits but is not yet receiving benefits. In addition, there are currently three active participants, some of whom are fully vested. Employees who retire at or after age sixty with ten years of credited service are entitled to a retirement benefit, payable monthly for life equal to 2.25% of final average compensation, with a maximum benefit of 80% of final average compensation. Final average compensation is the employee's average salary over the last five years of credited service. Benefits fully vest upon reaching ten years of service. Vested employees may retire at or after age fifty with specified years of credited service and receive reduced retirement benefits. The System also provides death and total disability benefits and certain post-retirement adjustments to the amount of retirement benefits.

The Township is required by state statute to contribute actuarially determined amounts necessary to pay benefits when due. The System issues a publicly-available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Municipal Employees' Retirement System of Michigan, 447 N. Canal, Lansing, Michigan 48917, or by calling 1-800-767-6377.

Funding policy:

Contribution rates for each participating employer and its covered employees are established, and may be amended, by each participating unit. The contribution rates are determined based on the benefit structure established by each employer. Covered employees are not required to contribute to the System. Participating employers are required to contribute amounts necessary to finance the coverage of their employees through periodic contributions at actuarially-determined rates. Administrative costs of the System are financed through investment earnings.

Annual pension cost:

For the year ended June 30, 2008, the Township's annual pension cost was \$46,836 for its defined benefit pension plan. The required contribution was determined as part of the December 31, 2006, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included a) an 8% investment rate of return, net of administrative expenses, b) projected salary increases of 4.5% per year, and c) an added percentage based on an age-related scale to reflect merit, longevity, and promotional salary increases. The actuarial value of the System's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized over a closed period of 30 years as a level percentage of payroll.

Three-year trend information is as follows:

<u>Year ended June 30:</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
2006	\$ 31,854	100%	-
2007	33,102	100%	-
2008	46,836	100%	-

Township of Saugatuck
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - EMPLOYEE RETIREMENT SYSTEM (Continued):

Funded status and funding progress:

The funded status of the plan as of December 31, 2007, the most recent actuarial date, is as follows:

<i>Actuarial value of assets (a)</i>	<i>Actuarial accrued liability (AAL) entry age (b)</i>	<i>Unfunded AAL (UAAL) (b-a)</i>	<i>Funded ratio (a/b)</i>	<i>Covered payroll (c)</i>	<i>UAAL as a percentage of covered payroll ((b-a)/c)</i>
\$304,896	\$ 673,240	\$ 368,344	45%	\$175,829	209%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Certain other accounting policies and plan asset matters are discussed in greater detail in the Township's actuarial valuation.

NOTE 11 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 12 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended June 30, 2008, follows:

Revenues	\$ 67,354
Expenses	<u>(114,717)</u>
Deficiency of revenues over expenses	<u>\$(47,363)</u>

NOTE 13 - CONTINGENT LIABILITY:

In the normal course of its activities, the Township becomes a party in various legal actions. The Township is currently involved in a Michigan Tax Tribunal case, filed by a property owner, which could have a significant financial impact. Because the outcome of this lawsuit is not presently determinable, the possible range of the potential cost cannot be reasonably predicted; therefore, no accrual has been made for this amount in the financial statements. The Township intends to vigorously defend its position.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Saugatuck
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended June 30, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 173,650	\$ 200,450	\$ 191,064	\$ (9,386)
Licenses and permits	124,500	80,400	92,545	12,145
State grants	197,000	161,000	168,952	7,952
Charges for services	32,400	29,450	29,301	(149)
Interest and rentals	19,000	13,000	38,389	25,389
Other	<u>21,000</u>	<u>9,000</u>	<u>12,628</u>	<u>3,628</u>
Total revenues	<u>567,550</u>	<u>493,300</u>	<u>532,879</u>	<u>39,579</u>
EXPENDITURES				
Legislative	1,200	800	875	(75)
General government	380,063	365,400	375,950	(10,550)
Public safety	85,017	75,034	73,687	1,347
Public works	22,800	41,500	28,975	12,525
Community and economic development	53,970	53,970	60,972	(7,002)
Recreation and culture	17,500	11,500	12,747	(1,247)
Capital outlay	<u>7,000</u>	<u>40,400</u>	<u>38,988</u>	<u>1,412</u>
Total expenditures	<u>567,550</u>	<u>588,604</u>	<u>592,194</u>	<u>(3,590)</u>
NET CHANGE IN FUND BALANCES	-	(95,304)	(59,315)	35,989
FUND BALANCES - BEGINNING	<u>371,123</u>	<u>371,123</u>	<u>371,123</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 371,123</u>	<u>\$ 275,819</u>	<u>\$ 311,808</u>	<u>\$ 35,989</u>

Township of Saugatuck
BUDGETARY COMPARISON SCHEDULE - Road Fund
Year ended June 30, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 400,000	\$ 400,000	\$ 400,922	\$ 922
Interest	<u>7,000</u>	<u>7,000</u>	<u>10,181</u>	<u>3,181</u>
Total revenues	407,000	407,000	411,103	4,103
EXPENDITURES				
Public works	<u>187,000</u>	<u>187,000</u>	<u>220,952</u>	<u>(33,952)</u>
NET CHANGE IN FUND BALANCES	220,000	220,000	190,151	(29,849)
FUND BALANCES - BEGINNING	<u>252,185</u>	<u>252,185</u>	<u>252,185</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 472,185</u>	<u>\$ 472,185</u>	<u>\$ 442,336</u>	<u>\$ (29,849)</u>

Township of Saugatuck
SCHEDULE OF FUNDING PROGRESS - Employee Retirement System
(Municipal Employees' Retirement System of Michigan)

<i>Actuarial valuation date December 31,</i>	<i>Actuarial value of assets (a)</i>	<i>Actuarial accrued liability (AAL) entry age (b)</i>	<i>Unfunded AAL (UAAL) (b-a)</i>	<i>Funded ratio (a/b)</i>	<i>Covered payroll (c)</i>	<i>UAAL as a percentage of covered payroll ((b-a)/c)</i>
1998	\$ 137,249	\$ 441,318	\$ 304,069	31%	\$ 140,431	217%
1999	171,241	468,346	297,105	37%	138,741	214%
2000	195,057	513,439	318,382	38%	124,181	256%
2001	198,667	618,374	419,707	32%	95,218	441%
2002	221,458	634,531	413,073	35%	141,520	292%
2003	278,697	660,581	381,884	42%	148,243	258%
2004	294,412	631,120	336,708	47%	152,220	221%
2005	293,720	631,658	337,938	46%	118,946	284%
2006	294,572	644,752	350,180	46%	161,628	217%
2007	304,896	673,240	368,344	45%	175,829	209%

SUPPLEMENTARY INFORMATION

Township of Saugatuck
COMBINING BALANCE SHEET - nonmajor governmental funds
June 30, 2008

	<u>Special revenue funds</u>		<u>Capital project funds</u>		<u>Total nonmajor governmental funds</u>
	<u>Cemetery</u>	<u>Ambulance</u>	<u>Water Project</u>	<u>Sewer Project</u>	
ASSETS					
Cash	\$ 90,639	\$ 4,531	\$ 129,933	\$ 14,033	\$ 239,136
Investments	67,104	-	-	-	67,104
Receivables	-	-	10,161	-	10,161
Total assets	<u>\$ 157,743</u>	<u>\$ 4,531</u>	<u>\$ 140,094</u>	<u>\$ 14,033</u>	<u>\$ 316,401</u>
LIABILITIES AND FUND BALANCES					
Liabilities - payables	\$ 283	\$ -	\$ 3,901	\$ -	\$ 4,184
Fund balance - unreserved, undesignated	<u>157,460</u>	<u>4,531</u>	<u>136,193</u>	<u>14,033</u>	<u>312,217</u>
Total liabilities and fund balances	<u>\$ 157,743</u>	<u>\$ 4,531</u>	<u>\$ 140,094</u>	<u>\$ 14,033</u>	<u>\$ 316,401</u>

Township of Saugatuck

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - nonmajor governmental funds**

Year ended June 30, 2008

	<u>Special revenue funds</u>		<u>Capital project funds</u>		<u>Total nonmajor governmental funds</u>
	<u>Cemetery</u>	<u>Ambulance</u>	<u>Water Project</u>	<u>Sewer Project</u>	
REVENUES					
Property taxes	\$ 54,329	\$ 993	\$ -	\$ -	\$ 55,322
Contributions from local units	54,574	-	-	-	54,574
Charges for services	12,560	-	75,501	2,598	90,659
Interest	4,752	272	237	-	5,261
	<u>126,215</u>	<u>1,265</u>	<u>75,738</u>	<u>2,598</u>	<u>205,816</u>
EXPENDITURES					
General government	72,781	-	-	-	72,781
Public works	-	-	39,762	750	40,512
Health and welfare	-	5,415	-	-	5,415
Capital outlay	17,600	-	-	-	17,600
	<u>90,381</u>	<u>5,415</u>	<u>39,762</u>	<u>750</u>	<u>136,308</u>
NET CHANGE IN FUND BALANCES	35,834	(4,150)	35,976	1,848	69,508
FUND BALANCES - BEGINNING	<u>121,626</u>	<u>8,681</u>	<u>100,217</u>	<u>12,185</u>	<u>242,709</u>
FUND BALANCES - ENDING	<u>\$ 157,460</u>	<u>\$ 4,531</u>	<u>\$ 136,193</u>	<u>\$ 14,033</u>	<u>\$ 312,217</u>

Township of Saugatuck

**SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -
\$755,000 1998 SPECIAL ASSESSMENT LIMITED TAX BONDS**

June 30, 2008

<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>October 1</i>	<i>April 1</i>			
2009	\$ 2,184	\$ 2,184	4/01/09	\$ 35,000	\$ 39,368
2010	2,002	2,002	4/01/10	35,000	39,004
2011	1,820	1,820	4/01/11	50,000	53,640
2012	1,560	1,560	4/01/12	50,000	53,120
2013	1,300	1,300	4/01/13	50,000	52,600
2014	1,040	1,040	4/01/14	50,000	52,080
2015	780	780	4/01/15	50,000	51,560
2016	520	520	4/01/16	50,000	51,040
2017	260	260	4/01/17	50,000	50,520
	<u>\$ 11,466</u>	<u>\$ 11,466</u>		<u>\$ 420,000</u>	<u>\$ 442,932</u>

Township of Saugatuck

**SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -
\$520,000 1998 WATER SUPPLY SYSTEM REVENUE BONDS**

June 30, 2008

<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>October 1</i>	<i>April 1</i>			
2009	\$ 1,768	\$ 1,768	4/01/09	\$ 30,000	\$ 33,536
2010	1,612	1,612	4/01/10	30,000	33,224
2011	1,456	1,456	4/01/11	30,000	32,912
2012	1,300	1,300	4/01/12	35,000	37,600
2013	1,118	1,118	4/01/13	35,000	37,236
2014	936	936	4/01/14	40,000	41,872
2015	728	728	4/01/15	40,000	41,456
2016	520	520	4/01/16	50,000	51,040
2017	260	260	4/01/17	50,000	50,520
	<u>\$ 9,698</u>	<u>\$ 9,698</u>		<u>\$ 340,000</u>	<u>\$ 359,396</u>

Township of Saugatuck**SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -
\$1,385,000 2002 SPECIAL ASSESSMENT LIMITED TAX BONDS**

June 30, 2008

<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>October 1</i>	<i>April 1</i>			
2009	\$ 23,653	\$ 23,653	4/01/09	\$ 70,000	\$ 117,306
2010	22,219	22,219	4/01/10	70,000	114,438
2011	20,784	20,784	4/01/11	70,000	111,568
2012	19,331	19,331	4/01/12	75,000	113,662
2013	17,738	17,738	4/01/13	75,000	110,476
2014	16,106	16,106	4/01/14	75,000	107,212
2015	14,419	14,419	4/01/15	75,000	103,838
2016	12,713	12,713	4/01/16	75,000	100,426
2017	10,969	10,969	4/01/17	75,000	96,938
2018	9,206	9,206	4/01/18	75,000	93,412
2019	7,425	7,425	4/01/19	75,000	89,850
2020	5,625	5,625	4/01/20	75,000	86,250
2021	3,750	3,750	4/01/21	75,000	82,500
2022	1,875	1,875	4/01/22	75,000	78,750
	<u>\$ 185,813</u>	<u>\$ 185,813</u>		<u>\$ 1,035,000</u>	<u>\$ 1,406,626</u>

October 21, 2008

To the Board of Trustees
Township of Saugatuck

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Saugatuck for the year ended June 30, 2008, and have issued our report thereon dated October 21, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 2, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Saugatuck are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Township of Saugatuck during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended June 30, 2008.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Saugatuck's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the Township of Saugatuck as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Saugatuck's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls and, accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

The Township has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. This is a recurring comment. The Township has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Saugatuck and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Sigfried Crandall P.C.